

Message Text

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PAGE 01 GEORGE 00318 01 OF 02 241917Z

ACTION ARA-14

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TO SECSTATE WASHDC IMMEDIATE 6094

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AMEMBASSY OTTAWA

C O N F I D E N T I A L SECTION 1 OF 2 GEORGETOWN 0318

E.O. 11652: GDS

TAGS: EAID, GY

SUBJECT: GOG REQUESTS FORMATION OF WORLD BANK SUBGROUP

REF: A. GEORGETOWN 160 B. GEORGETOWN 265

1. MINISTER OF FINANCE FRANKLIN HOPE INVITED AMBASSADOR AND DCM TO HIS OFFICE JANUARY 23 TO INFORM USG THAT GUYANA HAD REQUESTED THE IMMEDIATE FORMATION OF A GUYANA SUBGROUP TO FOLLOW UP ON THE DECEMBER WORLD BANK CONFERENCE ON CARIBBEAN DEVELOPMENT. HOPE SAID THAT DURING THE DECEMBER 14-15 MEETING IN WASHINGTON THE DESIRABILITY OF FORMING NATIONAL AND REGIONAL SUBGROUPS COMPOSED OF DONORS AND AID RECIPIENTS HAD BEEN DISCUSSED AND GENERALLY AGREED. (HE CITED PARA 76 OF THE REPORT ON THE WORLD BANK MEETING.) BECAUSE GUYANA'S ECONOMIC PROBLEMS WERE OF SUCH GREAT URGENCY THAT DECISIONS COULD NOT BE DEFERRED UNTIL THE SPRING WHEN THE SECOND WOLD BANK CONFERENCE ON CARIBBEAN DEVELOPMENT IS SCHEDULED TO BE HELD THE GOG HAD DECIDED TO REQUEST THAT A GUYANA SUBGROUP BE FORMED AS SOON AS POSSIBLE. ACCORDINGLY, THE MINISTER HAD WRITTEN WORLD BANK VICE PRESIDENT KRIEGER ON JANUARY 14 FORMALLY REQUESTING THAT A GUYANA SUBGROUP BE FORMED, AND PROPOSING THAT IT MEET IN FEBRUARY.

CONFIDENTIAL

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PAGE 02 GEORGE 00318 01 OF 02 241917Z

2. HOPE PREFACED HIS REMARKS WITH THE ASSERTION THAT HIS GOVERNMENT RECOGNIZED THAT THE CARTER ADMINISTRATION'S DECLARED POLICY WAS TO GIVE INCREASED ATTENTION TO THE DEVELOPMENT PROBLEMS OF THE CARIBBEAN REGION. HE WELCOMED THE EMPHASIS THAT THE US WAS PLACING ON THE CARIBBEAN AND ALSO RECOGNIZED THAT THE US WAS THE MOTIVATOR OF THE

REGIONAL APPROACH MANIFESTED IN THE WORLD BANK CONFERENCE. ACCORDINGLY, HE WAS SEEKING US SUPPORT FOR THE FORMATION OF A GUYANA SUBGROUP, AND ITS AGREEMENT TO BECOME A MEMBER OF THE BODY. ALTHOUGH HOPE'S LETTER TO KRIEGER DID NOT SPECIFY WHICH COUNTRIES SHOULD BE MEMBERS OF THE SUBGROUP, HOPE OPINED THAT THE UK AND CANADA WERE LOGICAL MEMBERS ALONG WITH THE USG.

3. THE MINISTER SAID THAT HE HAD ALREADY DISCUSSED THE IDEA WITH MRS. HART, UK MINISTER FOR OVERSEAS DEVELOPMENT, DURING HER RECENT VISIT AND THAT THE BRITISH WERE SYMPATHETIC AND AGREEABLE TO PARTICIPATING IN THE SUBGROUP. WHEN ASKED WHETHER HE HAD GIVEN THOUGHT TO INCLUDING THE VENEZUELAN AND THE BRAZILIANS, HOPE REPLIED SOMEWHAT AMBIGUOUSLY. HE ASSERTED THAT THE VENEZUELAN WERE VERY INTERESTED IN THE WHOLE SCHEME OF CARIBBEAN DEVELOPMENT AND THE WORLD BANK INITIATIVE. AT FIRST HE SEEMED UNAWARE THAT THE BRAZILIANS HAD PARTICIPATED IN THE WASHINGTON MEETING IN SEPTEMBER.

4. HOPE EMPHASIZED THAT GUYANA'S ECONOMIC SITUATION WAS VERY SERIOUS AND THAT DECISIONS NEEDED TO BE TAKEN AS SOON AS POSSIBLE. ACCORDINGLY, HE WANTED THE SUBGROUP TO MEET AS SOON AS POSSIBLE IN FEBRUARY SO THAT THE GOG COULD KNOW WHAT AMOUNT, IF ANY, OF HELP IT COULD LOOK FORWARD TO FROM THE DONOR PARTICIPANTS. (HE MADE CLEAR

CONFIDENTIAL

PAGE 03 GEORGE 00318 01 OF 02 241917Z

THAT PROGRAM LOANS WOULD BE MOST DESIRABLE.) THE RESULTS OF THE SUBGROUP DISCUSSIONS WOULD BE FACTORED INTO THE GOG'S ON-GOING DISCUSSIONS WITH THE IMF. THEREFORE, IT WAS IMPORTANT TO THE GOG TO HAVE SUBGROUP AND IMF DISCUSSIONS PROCEEDING VIRTUALLY IN PARALLEL. HOPE ADDED THAT THE GOG WAS OF COURSE AWARE THAT ANY COMMITMENTS RECEIVED DURING THE SUBGROUP DISCUSSIONS WOULD BE CONDITIONAL ON GUYANA'S REACHING AN AGREEMENT WITH THE IMF.

5. WITH REFERENCE TO THE IMF, THE MINISTER INDICATED THAT GUYANA'S FOUR-YEAR DEVELOPMENT PLAN WAS BEING ADJUSTED TO ENCOMPASS A THREE-YEAR AUSTERITY PROGRAM TO BRING THE ECONOMY INTO BALANCE. THE RESULTS OF IMF AND SUBGROUP DISCUSSIONS WOULD HELP SHAPE THAT THREE-YEAR PROGRAM. BY RECEIVING INDICATIONS DURING THE SUBGROUP MEETING OF WHETHER AND HOW MUCH HELP WOULD BE AVAILABLE DIRECTLY FROM DONORS, THE GOG AND THE IMF WOULD BE BETTER ABLE TO DECIDE ON THE NECESSARY PROGRAM.

#. THE AGENDA FOR THE FEBRUARY SUBGROUP MEETING WOULD BE TO (A) REVIEW IN DETAIL GUYANA'S PRESENT SITUATION, AND (B) EXAMINE DONOR GOVERNMENTS' PLANS OF ASSISTANCE FOR

GUYANA, AND (C) DETERMINE WHAT ADDITIONAL ASSISTANCE MIGHT BE PROVIDED.

7. AGREEMENT WITH THE IMF WOULD LEAD TO THE DISBURSEMENT OF THE SECOND, THIRD AND FOURTH IMF TRANCHES THAT COULD BE AVAILABLE TO GUYANA. THE MAXIMUM AMOUNT AVAILABLE OVER A THREE-YEAR PERIOD, HOPE SAID, WOULD BE ABOUT US \$80 MILLION, ACCORDING TO THE GOG'S CALCULATIONS.

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PAGE 01 GEORGE 00318 02 OF 02 241858Z
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C O N F I D E N T I A L SECTION 2 OF 2 GEORGETOWN 0318

8. WE LISTENED TO THE MINISTER'S PRESENTATION, ASKED SOME CLARIFYING QUESTIONS, AND TOLD HIM THAT HIS REQUEST WOULD BE RELAYED TO WASHINGTON IMMEDIATELY.

9. COMMENT: IN OUR VIEW, THE TIMING AND NATURE OF THE GUYANESE REQUEST ARE OBVIOUSLY AWKWARD FOR US. ON THE ONE HAND, HOPE WAS QUITE ACCURATE IN POINTING OUT THAT IT WAS THE US THAT ANNOUNCED LAST YEAR A NEW POLICY AIMED AT HELPING THE CARIBBEAN NATIONS ACHIEVE ECONOMIC STABILITY AND DEVELOPMENT. HE ALSO RECOGNIZED THE US AS THE AUTHOR AND PRIME MOVER BEHIND THE REGIONAL APPROACH OF DEALING WITH CARIBBEAN PROBLEMS THROUGH THE FORMATION OF A CONSULTATIVE GROUP. BUT HE ALSO EMPHASIZED THAT GUYANA'S PROBLEMS REQUIRE MORE PROMPT CONSIDERATION THAN THAT ANTICIPATED BY THE DONOR NATIONS.

10. UNFORTUNATELY, WHILE GUYANESE NEEDS AND EXPECTATIONS ARE REAL AND MOST PRESSING, IT IS DOUBTFUL THAT THE US OR THE CANADIANS (SEE REF A) WILL BE ABLE TO PROMISE PROGRAM LOANS OR EVEN INCREASED PROJECT ASSISTANCE

AT THIS TIME. THE BRITISH MAY BE ABLE TO PROVIDE SOME
ADDITIONAL HELP. GIVEN GOG EXPECTATIONS, WE BELIEVE THAT
THE USG MUST NOT GET ITSELF IN THE POSITION OF APPEARING
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PAGE 02 GEORGE 00318 02 OF 02 241858Z

TO VETO THE PROPOSAL FOR THE CREATION OF A GUYANA SUB-
GROUP. TO DO SO WOULD SERIOUSLY UNDERMINE THE CREDI-
BILITY OF THE NEW US POLICY TOWARD CARIBBEAN DEVELOPMENT
AND DAMAGE IMPORTANTLY THE PROSPECTS FOR THE ENTIRE WORLD
BANK INITIATIVE.

11. ACCORDINGLY, THE EMBASSY RECOMMENDS THAT THE US
SUPPORT THE IDEA OF FORMING A SUBGROUP SUCH AS GUYANA
HAS PROPOSED AND AGREE TO EXAMINE IN DETAIL GUYANA'S
ECONOMIC SITUATION. AT THE SAME TIME, HOWEVER, THE US
SHOULD PRESS VIGOROUSLY WITH THE WORLD BANK TO MAKE
CERTAIN THAT DONOR COUNTRY PARTICIPATION IN THE SUBGROUP
BE AS BROAD AS POSSIBLE. IN PARTICULAR, WE SHOULD URGE
THAT TRINIDAD, VENEZUELA AND BRAZIL BE INCLUDED AS
PARTICIPANTS IN ADDITION TO THE US, UK AND CANADA. BY
INCREASING THE PARTICIPATION, PRESSURE ON THE US AND THE
OTHER TWO TRADITIONAL DONORS CAN BE DILUTED AND THE
RESPONSIBILITY FOR ASSISTING GUYANA TO COPE WITH ITS
SERIOUS ECONOMIC PROBLEMS CAN BE MORE BROADLY INTER-
NATIONALIZED.
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